



**Local
Political and
Economic
Report
September
2025**

Introduction

- September 2025 was marked by the challenge of balancing governance, economic reform, and political stability. Tensions between state-led service provision and marketisation, municipal audit failures, and tensions within the GNU, highlight deepening political fragmentation ahead of the 2026 Local Government Elections (LGE).
- President Cyril Ramaphosa's energy and jobs agenda seeks to drive economic recovery, however mixed reactions to Eskom reforms, fuel price hikes, and steel tariff debates illustrate ongoing uncertainty for households and investors.
- Internationally, BRICS currency discussions, U.S. trade tensions, and AGOA's expiry pose export risks. Ramaphosa's UNGA80 address and Minister Parks Tau's U.S. trade framework agreement ahead of the G20 Summit signal a strategic approach to safeguarding economic and political interests.

PART 1: GOVERNMENT AFFAIRS AND PUBLIC SECTOR TRANSITIONS

Postbank Exit and the R3 Billion Grant Market



- The termination of the Master Service Agreement between the South African Social Security Agency (SASSA) and the South African Post Office (Postbank) has created one of the most consequential shifts in the delivery of social protection in recent years.
- The contract originated in 2018 when the Post Office - later succeeded by Postbank - was tasked with paying grants after the Constitutional Court (ConCourt) ordered government to end the unlawful cash paymaster services (CPS) deal.
- Clients banking with Postbank will continue to receive their funds through their existing accounts, accessible via both Gold and Black Cards, with no expected changes to services. Beneficiaries retain the option to switch their grant payments to another bank at any time, with SASSA providing the necessary services to facilitate such changes.
- The R3 billion grant market, servicing approximately three million beneficiaries, was earmarked by government as the catalyst for creating a state-owned bank. Postbank SOC Limited was legally established in 2024 to become a fully-fledged bank, however, it is still awaiting the South African Reserve Bank's approval for a banking license. This has led to the termination of master service agreement.
- Postbank has largely been let down by government moving at a snail's pace in putting together the relevant regulatory frameworks to enable its operation. On the other hand, the closure of most Post Office branches across the country, made its task more arduous.

Presidential Youth Employment Initiative

- Cabinet welcomed the Quarterly Progress Report showing over 5.64 million youth registered on the National Pathway Management Network, with expanded participation in public employment programmes and skills development platforms.
- The initiative reflects growing executive focus on youth employment, skills pipelines, and labour market reform. Legislative proposals may follow to institutionalise aspects of the programme, adjust funding frameworks, or expand eligibility criteria. Stakeholders in education, training, and employment services should anticipate policy shifts, funding realignment, and new compliance requirements linked to youth development mandates



Home Affairs Digitalisation

- The Department of Home Affairs has accelerated its digital service delivery agenda. The planned Electronic Travel Authorisation (ETA) system is expected to streamline visa approvals for tourists and business travellers, while the smart Identity Document (ID) and passport services are expanding into over 1,000 bank branches.
- Complementary mobile app integration and home delivery pilots aim to increase accessibility, unfolding amid a broader rollout of biometric verification for SASSA grant recipients.
- Increasing reliance on biometric verification raises questions about cybersecurity, data privacy, and the influence of competing interests on national security policy.
- In the ultimate analysis, Home Affairs' digitalisation agenda highlights the state's ambition to modernise governance but underscores the precarious balance between innovation, inclusivity, and political risk. If reforms outpace infrastructure and accessibility measures, they may inadvertently heighten electoral vulnerability and exacerbate public distrust in service delivery.

Ramaphosa's Energy and Jobs Drive



- President Ramaphosa has consistently framed energy security and job creation as cornerstones of South Africa's economic recovery, engaging with stakeholders to signal commitment to industrial growth and employment generation.
- The rollout of independent power producers (IPPs) programme and the tentative unbundling of Eskom reflect an effort to stabilise energy supply while attracting investment. However, unions remain deeply sceptical, citing potential job losses and wage suppression as consequences of market-driven reform.

- This tension illustrates the broader challenge of economic reform in South Africa: reconciling investor demands for efficiency and predictability with political commitments to protect workers. With unemployment at 33.2% in Q2 2025 and energy supply remaining fragile, the government faces a high stake balancing act. The outcome of this reform agenda will shape not only industrial performance but also public perceptions of the ANC's capacity to manage economic growth ahead of 2026.

Municipal Governance and Audit Outcomes

- South Africa's municipalities continue to grapple with structural inefficiencies and weak governance, as reflected in the latest audit outcomes. Of 257 municipalities, only 41 achieved clean audits for the 2023-24 financial year. Persistent challenges include poor financial management, weak internal controls, reliance on consultants, and inaccurate reporting.
- Gauteng's municipalities, for example, exhibit continuing financial mismanagement, jeopardising infrastructure projects and service delivery. Parliamentary oversight in the North West province revealed that 130 municipalities submitted incorrect financial statements despite spending R1.47 billion on consultants, highlighting systemic inefficiency and the misuse of public funds.
- These failures have both political and economic implications. Ahead of the 2026 LGE, opposition parties can leverage poor municipal performance to portray incumbents as incapable of delivering basic services, potentially influencing voter behaviour in key metros.
- Economically, weak municipal governance undermines investor confidence, particularly in strategic regions such as Gauteng, where predictable administration is critical for public-private partnerships and foreign direct investment.
- Socially, inadequate oversight translates directly into citizen hardship, including delayed infrastructure projects and inconsistent utility services. Correcting these deficiencies requires coordinated action across government, civil society, and oversight bodies to restore confidence in municipal institutions.

PART 2: POLITICAL CONFLICT AND PARTY DYNAMICS

ANC Internal Dynamics

- The ANC faces mounting internal pressure as it navigates the complex lead-up to the 2026 LGE. The party conducted a highly visible rollcall following its Special National Executive Committee (NEC) meeting (13–15 September), despite the fact that formal candidate selection for the elections is not scheduled until February–March 2026.
- This performative exercise is less about definitive decision-making than about signalling control and managing perceptions: it allows local branches to publicly demonstrate engagement and loyalty, while the national leadership maintains ultimate discretion over candidate approval. In essence, the roll-call functions as a controlled mechanism for managing expectations, testing factional influence, and gauging political sentiment across municipalities ahead of the formal nomination process.
- This approach, however, generates both strategic advantages and risks. On the one hand, it reassures stakeholders, including party loyalists, voters, and allied organisations, that the ANC remains organised and attentive to grassroots input.
- On the other, it creates a vacuum for speculation, opportunistic positioning, and internal jockeying, particularly as political aspirants and factional leaders attempt to shape perceptions of influence and momentum.
- The visibility of branch-level nominations, coupled with the absence of final decisions, amplifies intra-party competition and public scrutiny, potentially exposing rifts that could be exploited by opposition parties in the run-up to 2026.
- Compounding these dynamics, the broader Tripartite Alliance faces pressures that strain cohesion. The South African Communist Party (SACP) has declared its intention to contest the 2026 LGE independently, directly challenging alliance unity.



- Meanwhile, COSATU remains divided over whether to continue supporting the ANC or align with the SACP in key municipalities. At its Central Committee meeting two weeks ago, COSATU president Zingiswa Losi urged the ANC and COSATU to resolve their issues urgently.
- These fractures highlight the growing difficulty of managing alliance politics, where competing electoral strategies, ideological differences, and municipal-level ambitions intersect. Together, the performative rollcall, delayed candidate selection, and alliance fragmentation reveal an ANC negotiating both internal control and external credibility, balancing the need for organisational discipline with the risks of public perception and political opportunism

Opposition Movements and Coalition Dynamics



- Opposition parties are actively positioning themselves to exploit weaknesses within the ANC ahead of next year's elections. The Democratic Alliance (DA) has formally nominated Helen Zille as its Johannesburg mayoral candidate, signalling a focused urban strategy centred on infrastructure delivery, service reliability, and anti-corruption credibility. However, Zille's credentials may be overplayed in Gauteng; the province is markedly different from the Western Cape, with years of entrenched service delivery failures, making the governance task particularly mammoth.

- In Johannesburg, coalition dynamics remain fluid. The Patriotic Alliance (PA) had previously threatened to exit the city's coalition and the GNU over disputes related to its deputy president, Kenny Kunene's, position.
- While Kunene has only been reinstated as a councillor following a party-led forensic investigation, which cleared him of allegations tied to his presence at the house of a murder-accused during a police raid, the PA and ANC are reportedly engaged in advanced negotiations regarding his appointment to the Mayoral Committee for Transport. In the meantime, the PA has withdrawn its threat to leave the GNU, reflecting a temporary stabilisation of coalition dynamics. The resolution of these negotiations will be critical for maintaining short-term governance stability in Johannesburg, a key metro with strategic implications for urban service delivery and regulatory oversight.
- Meanwhile, the East London Regional Court delivered a verdict in the high-profile criminal trial of EFF leader Julius Malema. Malema was found guilty of discharging a firearm at the Sisa Dukashe Stadium in East London on 28 July 2018. He now faces sentencing on 26 January 2026, with potential penalties including 15 years' imprisonment and the loss of his parliamentary seat.
- This protracted legal process, which began in 2018, underscores the drawn-out nature of high-profile criminal proceedings in South Africa. The outcome introduces potential reputational and strategic implications for the EFF, particularly regarding its electoral mobilisation and coalition influence in the lead-up to the elections. Legal consequences may affect public perception, voter behaviour, and the party's bargaining power in municipal coalitions.
- These developments underscore the increasing complexity of coalition governance in South Africa. Fragmented authority, strategic party alliances, and electoral calculations intersect to shape political outcomes. By-elections in the Eastern Cape, Northern Cape, Limpopo and KwaZulu-Natal offer early signals of party mobilisation, highlighting incremental gains by smaller parties and the pivotal role of coalition negotiation skills in ensuring governance stability.

Judicial Politics

- The judiciary has emerged as a parallel arena of political contestation. The Zuma Foundation intensified its litigation against the National Prosecuting Authority (NPA), coinciding with Constitutional Court confirmation to hear challenges to the Electoral Amendment Act.
- The Madlanga Commission, investigating criminality and political interference in the justice system, faced legal challenges from former President Zuma and the MK Party, targeting executive decisions on ministerial appointments. The case was dismissed on the grounds that it lacked urgency.
- These cases illustrate how courts have become platforms for contesting legitimacy, shaping public perception of institutional independence, and influencing electoral competition. Outcomes will signal the robustness of South Africa's democratic institutions or, conversely, the entrenchment of perceptions of bias and selective enforcement.



Party Funding and Electoral Forecast

- Amendments to the Political Party Funding Act (PFA) have doubled disclosure thresholds, reducing transparency over mid-sized donations. Parties increasingly rely on private contributions to supplement declining IEC channels, raising questions about accountability and influence.
- The 2026 LGE are thus shaping up as a contest not only of votes but of coalition-building acumen, resource mobilisation, and the ability to demonstrate governance competence in urban centres.

PART 3: ECONOMIC UPDATES

GDP Growth and Labour Market



- South Africa's economy grew by 0.8% in Q2 2025, reflecting modest recovery amid structural constraints and global headwinds. Despite this expansion, unemployment remains elevated, with the official rate at 33.2%, while youth unemployment exceeds 60%, highlighting persistent labour-market fragility.
- These figures underscore the dual challenge of stimulating economic growth while generating inclusive employment opportunities, particularly as the country approaches the 2026 local elections.

Fuel Prices and Inflation

- September offered temporary relief to households and businesses through reductions in diesel prices, benefiting freight, agriculture, and logistics sectors. However, anticipated petrol price increases in October threaten to erode these gains, sustaining pressure on transport costs, consumer goods, and household budgets. Rand volatility adds further uncertainty, as currency fluctuations directly influence import costs, inflationary dynamics, and investor confidence.



Industrial Pressures and Steel Tariffs



- The steel sector faced structural pressures amid proposed protective measures. ITAC recommended a 10-15% increase in steel tariffs to shield local producers, while ArcelorMittal South Africa announced workforce reductions of approximately 4,000 employees. Temporary electricity relief granted by NERSA partially alleviated operational stress but did not address underlying inefficiencies. These developments illustrate the delicate balance between industrial protection, downstream cost pressures, competitiveness, and job security.

Corporate Signals

- Sectoral trends reveal a mix of resilience and vulnerability. Shoprite surpassed R250 billion in sales and added 8,700 jobs, demonstrating adaptability in retail and consumer services. Glencore undertook workforce reductions while negotiating a \$250 million term sheet for the Prieska copper-zinc project, reflecting simultaneous cost management and strategic investment priorities. South African Airways' operational recovery remains uncertain, highlighting ongoing fragility in the aviation sector, while banks continue to pursue digital transformation, expanding financial inclusion but reducing physical branch infrastructure.

Economic Outlook

- The near-term economic outlook remains constrained, with GDP projected at 0.4% for 2025. Inflationary pressures, industrial volatility, cost-of-living challenges, and persistent unemployment converge to create a politically sensitive environment. Investor confidence will depend on predictable policy frameworks, effective municipal governance, and reliable energy supply, underscoring the importance of structural reforms in driving sustainable growth.

PART 4: INTERNATIONAL AFFAIRS AND GEOPOLITICS

BRICS Currency Settlement Mechanism

- BRICS member states have advanced discussions on a common settlement mechanism aimed at reducing reliance on the U.S. dollar, with South Africa endorsing exploratory work.
- While this represents a strategic opportunity to enhance economic sovereignty and mitigate foreign exchange risks, caution is warranted due to potential volatility for exporters and investors during the transition phase.



UNGA80 and Weaponisation of Trade



- President Ramaphosa's address at UNGA80 highlighted South Africa's growing concern over the weaponisation of trade, framing it as a threat to global economic fairness, sovereignty, and predictable market access. Although he did not explicitly name the United States, his remarks were widely interpreted as a critique of unilateral trade measures and tariffs that affect BRICS, G20, and emerging market economies.
- By emphasising the consequences of trade restrictions, Ramaphosa positioned South Africa as a proponent of rules-based, multilateral trade systems that shield developing economies from disproportionate economic coercion.
- The speech also served as a strategic precursor to South Africa hosting the G20 Summit in November, signalling its intent to assert influence on issues of tariff equity, investment certainty, and market access.

- By framing trade coercion as a systemic challenge rather than a bilateral dispute, Ramaphosa strengthens South Africa's diplomatic posture as a mediator between emerging and developed economies, aligning domestic industrial priorities with multilateral engagement to safeguard investor confidence, industrial stability, and export competitiveness.
- The speech also serves as a strategic precursor to South Africa's hosting of the G20 Summit in November, where global leaders - including U.S. Vice President J.D. Vance - will convene. Ramaphosa's articulation of trade weaponisation signals a deliberate effort to assert South Africa's voice in shaping the global economic agenda, particularly on issues of tariff equity, investment certainty, and market access.
- In doing so, South Africa seeks to balance its commitments to both BRICS and G20 partners, leveraging its diplomatic platform to advance negotiations that protect domestic industries, support export competitiveness, and mitigate external shocks.
- By framing trade coercion as a systemic challenge rather than a bilateral dispute, Ramaphosa sets the tone for constructive engagement, positioning South Africa as a mediator capable of fostering dialogue between emerging and developed economies.
- This approach underscores the intersection of domestic economic priorities and international diplomacy, highlighting the strategic importance of predictable trade frameworks in maintaining investor confidence, safeguarding industrial stability, and reinforcing South Africa's leadership in multilateral forums.

U.S.–South Africa Trade Negotiations and AGOA Expiration

- DTIC Minister Parks Tau concluded a structured framework for bilateral trade negotiations with U.S. Trade Representative Jamieson Greer. This framework aims to mitigate tariff risks, enhance export stability, and provide a formal mechanism to resolve potential trade disputes.
- At mid-night on 30 September, AGOA officially expired. However, South Africa remains confident that at least a one-year extension for eligibility for Sub-Saharan African countries, remains on the cards. Such an extension will preserve South African access to U.S. markets in the immediate term, providing a buffer for exporters while bilateral negotiations continue.



- For South Africa, the extension is significant: it would safeguard industrial and agricultural export flows, reduce exposure to sudden tariff shocks, and maintain investor confidence in key sectors such as automotive, steel, and agriculture.
- The structured negotiation framework, combined with the AGOA extension, would allow South Africa to engage proactively on industrial priorities while upholding global trade obligations. It would institutionalise dialogue with the world's largest economy, ensuring early resolution of disputes and providing policy predictability.
- Together, these developments would reinforce South Africa's strategic positioning ahead of the G20 Summit, demonstrating a commitment to rules-based trade, economic sovereignty, and the protection of domestic industries, while also signalling resilience against potential external shocks that could affect trade and investment.

Digital Governance and AI4IA

- This month, South Africa hosted the inaugural AI4IA Satellite event, a regional but globally connected forum designed to strengthen societal resilience against misinformation, disinformation, and digital manipulation. While the event primarily engaged African stakeholders, including government agencies, civil society, and private-sector actors, it was linked to the broader AI4IA global initiative, enabling knowledge exchange with international experts and institutions on best practices in digital governance.
- The hybrid nature of the event, local participation with global connectivity, positioned South Africa as a hub for innovation and dialogue on responsible AI, digital integrity, and cybersecurity.



- The AI4IA serves multiple strategic purposes. Firstly, it enhances the credibility of electoral processes ahead of the 2026 LGE, ensuring campaigns and voter engagement are less susceptible to manipulation via digital channels.
 - Secondly, it supports broader governance objectives by promoting data literacy, cybersecurity awareness, and cross-sectoral collaboration between government, civil society, and private actors.
 - Thirdly, it signals to international partners that South Africa is capable of contributing constructively to global conversations on digital governance, aligning domestic priorities with multilateral norms on information integrity and responsible technology use.
- The event also highlights the intersection of technology, politics, and societal stability. In a context where digital misinformation can amplify political polarisation or exacerbate service-delivery grievances, AI4IA provides a preventive mechanism, reinforcing public trust in government communication and supporting investor confidence. More broadly, it demonstrates how South Africa is leveraging innovation not just for economic modernisation but as a strategic tool to safeguard democratic resilience and social cohesion in an increasingly complex political and digital landscape.

Risk Assessment and Key Indicators

Risk/Issue	Impact Level	Description / Analysis
AGOA Expiry and Export Vulnerability	Critical (5)	AGOA has officially expired, although South Africa remains optimistic it will be extended, for at least one year. While the extension may preserve Sub-Saharan Africa (including South Africa's) access to U.S. markets and mitigates immediate trade disruption, uncertainty remains about longer-term eligibility and structural trade agreements. Exporters remain vulnerable to policy changes or tariff shocks once the extension lapses.
Coalition Fragmentation and Alliance Volatility	High (4)	Intensifying tensions, shifting coalitions in key metros, and internal ANC pressures risk policy incoherence and governance gaps, potentially destabilising municipal administration ahead of 2026 elections.
Energy Security	Low (2)	Eskom has restored around 7,800 MW since 2023, improved its EAF to 60.6%, and projects no loadshedding for summer 2025/26, supported by lower unplanned outages and unit returns such as Koeberg Unit 1 (+930 MW). The utility reported its first profit in 8 years (R23.9 billion before tax) for reinvestment into infrastructure and energy security. With Kusile Unit 6 entering commercial operation, Eskom has completed its Build Programme, enabling Medupi and Kusile to jointly supply up to 9,600 MW as part of the Generation Recovery Plan.

Digital Transformation and Exclusion	High (4)	“Digital-by-default” initiatives (ETA, smart IDs, SASSA biometrics) risk disenfranchising rural and underserved communities with <50% reliable internet access, creating political and social tensions.
Social Unrest and Cost-of-Living Protests	Moderate (3)	Rising public frustration over service delivery, inflation, and fuel costs may manifest in EFF/MKP-led demonstrations or broader #CostOfLivingSA mobilisations, challenging municipal governance.
Municipal Audit Failures	Moderate (3)	Weak municipal governance, coupled with adverse or disclaimed audit outcomes, undermines service delivery, erodes public trust, and increases uncertainty for investors and development partners.

- Monitoring these indicators is essential for anticipating political, economic, and social stability in the run-up to 2026.

Conclusion

- September 2025 underscores the interplay of governance, economic reform, and political strategy in South Africa. Domestic challenges, from Postbank’s exit and Home Affairs’ digitalisation to municipal audit failures and coalition tensions, pose both risks and opportunities.
- President Ramaphosa’s energy-and-jobs agenda, alongside BRICS, UNGA80, and U.S. trade initiatives, reflect efforts to balance sovereignty, economic stability, and investor confidence.
- The 2026 LGE will test institutional capacity, coalition management, and public trust, while digital governance and trade frameworks influence economic resilience and societal cohesion. Success will hinge on synchronising policy execution, strengthening municipal governance, and navigating domestic and international pressures strategically.

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